

## Emerging DoD Role in the Interagency Counter Threat Finance Mission

by

Lieutenant Colonel Jennifer E. Carter  
United States Marine Corps



United States Army War College  
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USAWC STRATEGY RESEARCH PROJECT

**EMERGING DOD ROLE IN THE INTERAGENCY COUNTER THREAT FINANCE  
MISSION**

by

Lieutenant Colonel Jennifer E. Carter  
United States Marine Corps

Frank Jones  
Project Adviser

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U.S. Army War College  
CARLISLE BARRACKS, PENNSYLVANIA 17013



## **ABSTRACT**

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## EMERGING DOD ROLE IN THE INTERAGENCY COUNTERING THREAT FINANCE MISSION

In response to the September 11, 2001 terrorist attacks on the World Trade Center towers, the Pentagon, and the failed hijacking attempt of United Airlines Flight 93, the United States Government expended substantial resources in treasure, and more personally, in the sacrifice of the nation's posterity, to combat global terrorism. For the past ten years, the U.S. has engaged with its allies and partners in combating terrorists through Operations Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF), and supported homeland security domestically through Operation Nobel Eagle (ONE) and other activities. In total, as of March 11, 2011, the U.S. Congress had appropriated an estimated \$1.283 trillion "for military operations, base security, reconstruction, foreign aid, embassy costs, and veteran's health care for the three named operations initiated since the September 11<sup>th</sup> attacks."<sup>1</sup> The expended resources in support of OEF, OIF, and ONE have contributed significantly to the publicly held debt of \$10.58 trillion U.S. debt (as of February 2, 2012.)<sup>2</sup> When combined with a foreseeable future of domestic economic pressures and demands and the expressed intention of the U.S. to combat terrorism, it is clear that the U.S. Government must identify and employ more efficient and enduring methods for combating terrorists and other extremist threats to our national security.

In a period of increased economic austerity and fiscal limitations, the U.S. must shrewdly engage beyond the comfortable boundaries of military force and employ its full arsenal of diplomatic, information, military, and economic (DIME) powers that it has to track, monitor, exploit and disrupt threats to national security. This paper delves into emerging opportunities beyond the traditional use of conventional military forces to

combat terrorism and ventures into proposals for embracing and leveraging the capabilities of the interagency to detect, deter, disrupt and destroy terrorist and those supporting terrorism by targeting their financial resources.

The intent of this paper is to (1) examine the historical challenges of using counter threat finance methods in neutralizing threats to U.S. national security; (2) outline the pertinent U.S. policies that empower and enable the U.S. to support economic sanctions, protect its financial systems from money laundering and conduct counter threat finance (CTF) targeting; (3) identify recent efforts to focus on targeting terrorist financial networks through a comprehensive interagency approach; and (4) make recommendations on the potential role of the U.S. Department of Defense (DoD) in interagency CTF efforts to counter terrorist threats beyond OIF and OEF.

### Money as a Weapon

Analyzing financial data is a key weapon in the targeting of terrorists and aids in the tracking, monitoring, exploitation and disruption of the “lone wolf” terrorist or a network and its supporters. With the proper investigative and enforcement mechanisms in place, CTF serves a critical role in destabilizing terrorist organizations by exposing patterns and anomalies regarding income sources, operational expenses and funds transfers over time, eliminating their fiscal resources, and gathering actionable information for operational and intelligence purposes. Domestically, financial investigative methods are not new to law enforcement professionals, the Department of Homeland Security, the Internal Revenue Service (IRS), or the Department of Treasury, and the potential intelligence information they collect is invaluable to gaining insight into the habits, weaknesses, strengths, and *modus operandi* of terrorists.

## Challenges of Counter Threat Finance

While the U.S. and international community continue to make progress in disrupting the funding streams of terrorist organizations, it remains a challenge to identify terrorist financial activity through the formal financial sector for a multitude of reasons: the nuanced difficulty in distinguishing suspicious/illicit activity from the routine, the disguises used in hiding illicit financial activity, and the relatively low-cost of executing a terrorist act.

Prior to September 11, 2001, there existed a set of laws and organizations to assist the U.S. government in regulating illicit financial activities to include the Bank Secrecy Act of 1970 and the Financial Crimes Enforcement Network (FinCEN); as well as statutes addressing the criminalization, detection, suppression, and prosecution of money laundering activities within the federal banking system. For example, “the Bank Secrecy Act of 1970 requires U.S. financial institutions to “assist the U.S. government agencies in detecting and preventing money laundering; specifically, the act requires financial institutions to file reports of cash transactions exceeding \$10,000 and report suspicious activity that might signify money laundering, tax evasion, or other criminal activity.”<sup>3</sup> In addition to the Bank Secrecy Act (BSA), over the past two decades, the Treasury Department and various law enforcement agencies have increased their focus on the use of financial information for detecting money laundering activities and protecting the financial fidelity of U.S. financial institutions. Specifically, in 1990, the Department of the Treasury established the Financial Crimes Enforcement Network (FinCEN) to provide Federal, State, local and foreign law enforcement agencies a “government-wide multi-source intelligence and analytical network in support of the detection, investigation, and prosecution of domestic and international money

laundering and other financial crimes.”<sup>4</sup> In 1994, FinCEN regulatory responsibilities were broadened to include administration of the Bank Secrecy Act.<sup>5</sup> Another statute, the Money Laundering Suppression Act of 1994 required Money Service Businesses (MSB) “to be registered by an owner or controlling person [with the Federal government] and maintain a list of businesses authorized to act as agents in connection with financial services offered by the MSB.”<sup>6</sup>

By leveraging and strengthening the authorities of the BSA, implementing the authorities enacted by the Money Laundering Suppression Act of 1994 and other anti-money laundering enforcement laws, and the United and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001, the U.S. government expanded its investigative authority to advance prosecutorial efforts and intelligence gathering related to the illicit movement of money within U.S. financial systems. The U.S. government also expanded the mandatory reporting requirements on suspicious financial activities and it increased intelligence sharing within its interagency government partners through the use of FinCEN; however, U.S. and international financial institutions remain disadvantaged in the area of detecting suspicious terrorist activity because of the limited information available to them regarding identification markers, points of origination, or financial profiles of terrorists.<sup>7</sup> In other words, it is difficult to distinguish or prove the “destination and purpose” of fund transfers or withdrawals.<sup>8</sup> Although the government’s reporting requirements have greatly expanded, U.S. financial institutions, as well, as law enforcement agencies, continue to be challenged by the lack of personnel and

resources necessary to ensure compliance with the current laws. However, that is not the only challenge they confront.

Terrorist financiers are able to directly distribute a relatively small amount of funding to terrorist cells in the execution of operations, rather than having to disguise, break up, or launder transactions to avoid detection.<sup>9</sup> The direct costs in support of coordination and conduct of terrorist operations require relatively insignificant funding, and most expenditures are varied in method and do not meet threshold or suspicion requirements for mandatory reporting. For example, the *Staff Report to the National Commission on Terrorist Attacks Upon the United States* estimates that the cost to plan and conduct the attacks on the World Trade Center and Pentagon were between \$400,000 and \$500,000, most of which was funded by al-Qaeda.<sup>10</sup> “Considering that close to two dozen individuals (the 19 hijackers plus overseas support elements) were likely involved over a 18-month to 2-year period, the funds needed for significant international travel, terrorist-camp training, flight school and living expenses only approximated \$12,000 per person per year.”<sup>11</sup> Further, the “evidence indicates that approximately \$300,000 was deposited into hijacker bank accounts in the U.S.” predominately using three methods: wire transfers from overseas, physical transportation of cash or traveler’s checks, and debit or credit cards for the purposes of accessing funds held in foreign financial institutions.<sup>12</sup> As mentioned previously, within the realm of threat finance and intelligence operations, knowing where and how individuals and groups finance their operations, transfer funds and receive income is invaluable in gaining insight into the thought patterns, habits, weaknesses, strengths, and routines of terrorists. Accounting and reviewing financial transactions are effective

methods in gathering intelligence about an individual or network. For this reason, analyzing financial data is a key weapon for gathering intelligence on terrorists and their support system and for targeting terrorists. “Following the money” helps law enforcement and intelligence agencies gain information that can be used to track, monitor, exploit and disrupt a terrorist or a network and its supporters.

Another challenge that the U.S. law enforcement faces in identifying or stopping terrorist financing is the establishment and exploitation by terrorist organizations of charities and the establishment of shell companies as legitimate guises for the movement of funds. In the case of Islamic terrorist organizations, use of charities as a money laundering mechanism exploits the Islamic pillar of *Zakat* or the obligatory practice of almsgiving. By disguising their operations as charities, terrorists are able to exploit the generous intentions of unwitting donors and provide cover to the movement of funds to terrorist cells.<sup>13</sup> As an example, there is significant Pakistani government involvement in the Al Akhtar Trust, renamed the Pakistan Relief Foundation, which is a charitable organization that supports al-Qaeda and the Taliban and receives significant sums of funding from unidentified sources within Saudi Arabia and other Gulf states.<sup>14</sup> Other charities, such as the Pakistan Relief Foundation, present the U.S. with significant diplomatic challenges because of the lack of support on the part of either Pakistan or Saudi Arabia governments to take actions against such organizations despite strong evidence that they serve as conduits for financing terrorist activities and because publicly the U.S. considers both Pakistan and Saudi Arabia to be partners in combating terrorism.<sup>15</sup>

Additionally, terrorists are able to use informal value transfer systems (IVTS) for their illegal purposes. While IVTS may be known by many different names depending upon region or country, the primary informal network used in South Asia and the Middle East is called *hawala* (meaning “transfer” in Arabic).<sup>16</sup> Financial transfers within this system can occur in multiple ways to include use of agents, couriers, bartering, wire transfers, ATM exchange machines and family members. IVTSs are based upon trust; thus, IVTS accounts between *hawaladars* can remain open and active for years before being settled, making infiltration and detection by intelligence and law enforcement agencies a challenge.

#### International Counter Threat Finance

On September 23, 2001, President George W. Bush signed Executive Order 13224 providing the domestic authorities necessary to freeze all assets belonging to al Qaeda, Osama bin Laden and associated terrorist groups and blocking any economic transaction by them within the economic borders of the U.S.<sup>17</sup> Within a week, the United Nations Security Council followed suit and passed Resolution 1373 reaffirming Resolutions 1267 and 1269, both of which were passed in October 1999. Resolution 1373 required all member nations to develop and implement laws to designate individuals and entities as either terrorists or supporters of terrorists and freeze the assets and prevent international travel by of these designated entities, namely members of al-Qaeda and the Taliban.<sup>18</sup> More than 100 nations drafted and passed laws aimed at prohibiting terrorist financing or money laundering, and worldwide, more than \$136 million in designated terrorist or terrorist supporter assets were frozen, including \$36 million within U.S. financial institutions.<sup>19</sup> These were important steps in attempting to disrupt terrorist organizations and those entities indirectly or directly funding their efforts.

These actions by the president and the U.N. gave additional strength to an organization already committed to combating financial crimes, the Financial Action Task Force (FATF) or Groupe d'Action Financière (GAFI). The FATF is an international organization established by the G-7 in 1989 to develop international policies and standards for identifying and addressing issues related to money laundering and ensuring the fidelity of international monetary and banking systems. The FATF initially published its *Forty Recommendations* in 1990 to improve the judicial system, law enforcement, the financial system and its regulations, and international cooperation in order to establish standards and effective counter-measures against money laundering.<sup>20</sup>

Subsequently, in October 2001, the FATF expanded its mandate to deal with the issue of terrorist financing and reviewed their recommended counter-measures against money laundering to incorporate additional proposals by publishing the *FATF IX Special Recommendations*.<sup>21</sup> This document calls for the universal ratification and implementation of U. N. Security Council Resolution 1373 and establishment of monitoring, reporting and prosecutorial measures related to suspicious transactions, whether through wire transfers, non-profit organizations, cash couriers, or alternative remittance methods, related to terrorism.<sup>22</sup> Combined, the FATF contends that these two sets of recommendations, “set the basic framework to detect, prevent, and suppress the financing of terrorism and terrorist acts” within formal banking and financial institutions at the international level.<sup>23</sup> However, as an international non-governmental organization, the FATF is significantly reliant upon international governments and financial institutions for support and influence.



A recent *Foreign Policy* magazine article entitled “Follow the Money,” by Stuart Levey and Christy Clark, suggests that the FATF should branch out beyond establishing standards for countering money laundering and tackle the development and enforcement of standards for the implementation of U.N. sanctions.<sup>24</sup> “It is commonly recognized that countries that face U.N. sanctions will inevitably try to evade the restrictions by enlisting the help of entities not on the sanctions list. Punishing or deterring such actions depends on imposing tangible consequences on violators.”<sup>25</sup> The authors make this proposal based upon the considerable influence that the FATF has attained within the private international financial community. While the FATF has no direct governance over financial institutions in any country, more than 180 countries have voluntarily committed to follow the organization’s standards including participation in FATF-run evaluations.<sup>26</sup> Additionally, the “Arab Spring” may offer an opportunity to influence the newly formed governments of Libya, Tunisia, and Iraq to target and dismantle financial networks engaged in illicit finance activity.<sup>27</sup> To be effective, the FATF must emphasize to the nations that constitute the international community that their willingness to participate in FATF evaluations and subject themselves to counter money laundering standards will have an influence on their ability to participate fully in the global marketplace.<sup>28</sup> The international community must appeal to the legitimate desire of a transitioning country to be recognized as a stable entity by underscoring that a “negative evaluation can make it more difficult for banks, companies, and even individuals in a country to access needed financial services outside of its borders.”<sup>29</sup>

#### U.S. Counter Threat Finance

As mentioned previously, Executive Order 13224 provides the domestic authorities necessary to freeze all assets belonging to al Qaeda, Osama bin Laden and

associated terrorist groups and blocking any economic transaction by them within the economic borders of the U.S.<sup>30</sup> In addition to these authorities and the efforts of the FATF, President George W. Bush signed into law the PATRIOT Act on October 26, 2001. The purpose of this statute is to reduce legal restrictions on access to private/personal information and communications by government authorities in their intelligence gathering and prosecutorial efforts regarding terrorism. The PATRIOT Act enhanced surveillance procedures through expanding authorities to “intercept wire, oral and electronic communications related to terrorism,” eased limits on foreign intelligence gathering within the United States, and expanded the Secretary of the Treasury’s responsibilities and authorities to regulate financial transactions.<sup>31</sup>

Title III of the PATRIOT Act, entitled, “International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001,” was designed to enhance the sharing of information across law enforcement and intelligence jurisdictional lines of authority and promote communication to attain a more comprehensive approach to combating transnational terrorist threats. To support this objective, provisions under Title III include raising the priority and focus of the FinCEN within the Department of Treasury and creating a secure network to be used by financial institutions and law enforcement for the purpose of reporting and investigating suspicious transactions and financial activity. It also amends the Bank Secrecy Act to allow the officer or agency that receives suspicious activity reports to share information with U.S. intelligence agencies.<sup>32</sup>

In an attempt to regulate IVTS, the PATRIOT Act expanded the definition of “financial institution” as provided in the Bank Secrecy Act of 1970, to include not only a

licensed sender of money but also any person or entity that engages as a business in IVTS.<sup>33</sup> As a result, all IVTS operators are required to comply with the requirements set forth in the BSA to include: implementation of an anti-money laundering program; registration with the FinCEN as a money service business; and compliance with the record keeping and reporting requirements to include maintaining customer identification and filing suspicious activities reports (SARs).<sup>34</sup> Despite best efforts to “formalize” *hawala* systems, it is important to note these IVTSs are “not necessarily synonymous with money laundering.”<sup>35</sup> Money laundering is not generally, in and of itself, a criminal act, and most money laundering statutes require evidence of a specific underlying enterprise, such as drug trafficking or other criminal activity to prosecute the money laundering offense successfully.<sup>36</sup> As a result, difficulties remain in monitoring and detecting terrorist/criminal activity within IVTSs, thus diminishing the return that the expenditure of law enforcement investigative resources would require.

However, legal efforts to prevent money laundering can also have unforeseen effects. For example, recently, Sunrise Community Banks, a family-owned banking group based in Minnesota announced it would discontinue its wire transfer services from Minnesota to Somalia at the close of 2011 due to its concerns with violating government rules intended to prevent the financing of terrorist organizations.<sup>37</sup> There is a sizable Somali population in Minnesota who routinely send small amounts of money to family members in Somalia, money upon which these family members are absolutely reliant. Government officials and financial institutions continue to discuss this issue; however, this example highlights the scrutiny, pressure, and legal complexities that even formalized *hawalas* present, that banks operate within and that the interagency

must continue to work through as a result of provisions in the Bank Secrecy Act, Money Laundering Suppression Act of 1994, and U.S.A. PATRIOT Act.<sup>38</sup>

#### Attacking State and Non-State Sanctioned Terrorist Networks and Finances

In Iraq in 2004, a joint interagency effort (the Iraq Threat Finance Cell – ITFC) to “gather analyze, and disseminate intelligence related to financial networks of insurgents, terrorists, and militias in Iraq” was established within a Joint Task Force led by the J-2 of V Corps, which later became Multinational Force – Iraq (MNF-I).<sup>39</sup> The purpose of the ITFC was to disrupt the financial flow of funds to terrorist insurgents and aid in the intelligence gathering efforts in Iraq through collaborative interagency means; departments and agencies included in this effort were the Department of Treasury, Federal Bureau of Investigation, IRS, Department of State, Defense Intelligence Agency and U.S. Special Operations Command.<sup>40</sup>

Based upon the premise and construct of the ITFC in Baghdad, in mid-2008, U.S. military forces established a interagency effort headed by the Drug Enforcement Agency (DEA) and with DoD and the Department of Treasury acting as deputies, called the Afghan Threat Finance Cell (ATFC), “to identify and disrupt sources of funding supporting insurgent and terrorist organizations operating in support of the regional commanders throughout the Afghanistan/Pakistan region.”<sup>41</sup> The establishment of this second threat finance cells was recognition of the important role funding plays in the drug/terrorist nexus. According to a March 2010 *Marine Gazette* article entitled “DEA in Afghanistan, “worldwide, the DEA has “conservatively linked 19 of the 43 foreign terrorist organizations to drug trafficking and this has spawned a multitude of complex responses to include capacity building, intelligence fusion centers, interagency task

forces, training alliances, indirect military support and direct military action against drug facilities and involved persons.”<sup>42</sup>

The ATFC proceeds “along three general lines of operation in Afghanistan: conducting criminal investigations of high-level narcotics trafficking, implementing intelligence-driven drug flow attack strategy, and participating with the interagency community to develop Afghan capacity.”<sup>43</sup> While the ATFC was established to identify and sever the connection between the Taliban insurgents and their finances, much of which is believed to be obtained through drug trade, the cell exposed links tying the Taliban and drug smugglers directly to the Afghan government through the Kabul Bank.<sup>44</sup> “Many of those implicated [in this criminal enterprise] are among President [Hamid] Karzai’s most trusted advisors, some with regulatory responsibilities for the Afghan financial system and others regarded by American officials as being some of the most capable in the Karzai’s government.”<sup>45</sup> As a result of the findings of this investigation as well as pressure from the International Monetary Fund and Department of Treasury, the Government of Afghanistan resulted in the resignations of the bank’s president and its chairman of the board.<sup>46</sup>

#### Military Role in Counter Threat Finance

December 31, 2011 marked the date that U.S. combat troops supporting OIF exited Iraq, and at some point in the future, the U.S. will declare an end to OEF in Afghanistan. However, the broad and enduring counter-terrorism mission will likely continue long after the close of those operations. The question remains whether or not the DoD should continue to play a role in the interagency CFT mission.

On January 5, 2012, Secretary of Defense, Leon Panetta, released new strategic guidance for the department entitled, *Sustaining U.S. Global Leadership: Priorities for*

*the 21<sup>st</sup> Century Defense*. Prefaced with a cover letter signed by President Barack Obama and placing emphasis on investment in counter terrorism, the strategy guidance affirms, that “for the foreseeable future, the United States will continue to take an active approach to countering these [terrorist] threats by monitoring the activities of non-state threats world-wide, working with allies and partners to establish control over ungoverned territories, and directly striking the most dangerous groups and individuals when necessary.”<sup>47</sup> The guidance also emphasizes counter terrorism and states, “acting in concert with other means of national power, U.S. military forces must continue to hold al-Qaeda and its affiliates and adherents under constant pressure, wherever they may be.”<sup>48</sup> Given the success and need for a persistent investigative CTF capability to monitor and gather intelligence on State Department designated terrorists and terrorist organizations (trans-national threats), targeting the finances of terrorists and their support network has increasingly become the *modus operandi* for efforts to defeat al-Qaeda and the Taliban.

Additionally, CTF remains a key component within intelligence gathering in support of terrorist targeting. DoD Directive 5205.14, DoD Counter Threat Finance (CTF) Policy, August 19, 2010, acknowledged that very notion. “The Department of Defense shall work with other U.S. Government (USG) departments, agencies, and partner nations to deny, disrupt, defeat and degrade adversaries’ ability to use global licit and illicit financial networks to negatively affect U.S. interests.”<sup>49</sup> The purpose of the DoDD 5205.14 is to extend, enhance and codify the DoD’s commitment to the threat finance strategy and cooperation beyond the effort established in OIF and OEF.<sup>50</sup> According to the Center for a New American Society report, “Pressure: Coercive

Economic Statecraft and U.S. National Security,” and as depicted in Figure 1 (below), CTF requires a balancing of national security resources as well as a recognition of the shared responsibility for this mission that exists among law enforcement, foreign policy and legal authorities, national policy authorities, and military and intelligence.<sup>51</sup>



Figure 1:<sup>52</sup>

Within this construct, the primary contributions of DoD toward combating terrorist finance include incorporation of CTF operations into joint campaign plans; collection, analysis and interagency sharing of signal, financial, and human intelligence; and military target/interdiction actions required to attack or block financial lines of communication and disrupt networks.<sup>53</sup> Given the report’s conclusions, the recently published Joint Chiefs of Staff *Commander’s Handbook for Counter Threat Finance*, and DoD Directive 5205.14, makes clear that DoD is placing an increased emphasis on the multi-agency CTF capability (utilizing the Threat Finance Cell model) and the critical role it plays in intelligence gathering and in the planning and execution of joint targeting operations.<sup>54</sup>

The DoD CTF Policy also outlines the roles and responsibilities of all DoD components with respect to countering threat finance, particularly, the Defense Intelligence Agency (DIA), the geographical Combatant Commanders (CCDR), and US Special Operations Command (SOCOM).<sup>55</sup> SOCOM is the “DoD CTF lead component for synchronizing DoD CTF activities” and operations. DIA is responsible for serving “as the intelligence conduit for the Combatant Command (CCMD) and has been assigned to lead efforts to align analysis, collection, and intelligence, surveillance and reconnaissance activities with all operations and link and synchronize defense and national intelligence capabilities.”<sup>56</sup> The CCDRs are responsible for the day-to-day planning, executing and synchronizing of DoD CTF activities within their geographical area of responsibility and must ensure “proper emphasis on the interagency processes and integrated operations.”<sup>57</sup> Specifically, the CCDRs are required to establish a CFT capability that “integrates intelligence and operations; supports interagency partner threat finance efforts in the region as it relates to combating terrorists, insurgents, and narcotics and criminal networks to diminish their operational capabilities; and coordinates and collaborates with the interagency in establishing mechanisms with other nations to deny, disrupt or defeat funding and value transfer items to adversaries.”<sup>58</sup>

Given the extensive synchronized network of intelligence personnel and assets and mission planning and operations execution capability that DoD maintains, as well as, the continued focus that the Obama administration and DoD is placing on counter terrorism through the DoD strategic guidance document, it serves the purpose of all,



including interagency organizations, for DoD to continue to serve in a supporting role in the CTF mission.<sup>59</sup>

### Threat Finance Efforts and Concerns

While CTF is still a relatively new responsibility for some CCDRs, the combined military/interagency organizational structures of the Iraq and Afghanistan Threat Finance Cells (IFTC and AFTC) and their connection and coordination with SOCOM's Interagency Task Force (ITF) serve as a starting point from which to model coordination efforts. The recently published DoD CTF Roadmap, which aims to enhance DoD support of threat finance efforts, states, that "in the event of a major combat operation, threat finance cell personnel will be in a position to deploy and augment in-country combat support elements. In peacetime environments, DoD will provide financial and analytical support to interagency CTF efforts."<sup>60</sup> Further, the *Commander's Handbook on Counter Threat Finance* states that each CCDR must maintain a CTF "entity that analyzes and exploits financial intelligence that is relevant to its geographic region or functional area."<sup>61</sup> While the CTF capability is important to geographical and functional CCMDs alike, the capabilities must be tailored to combat the specific threats each combatant command faces. For example, at U.S Transportation Command (USTRANSCOM), the primary function would be protecting the transportation of property and people by reviewing the transportation contracts and by tracking and monitoring secondary and tertiary agreements let by the primary contractor, (i.e., documenting and reviewing subcontractors.)<sup>62</sup> Additionally, USTRANSCOM would also be concerned with pilferage of goods or misuse of their logistical network to transport of illicit goods hidden within legitimate cargo.<sup>63</sup> For U.S. Pacific Command (USPACOM), the focus would be on the North Korean government's criminal activities involving

counterfeit cigarettes, pharmaceuticals, and U.S. currency, as well as, exportation of ballistic missiles and related components to countries such as Iran, Pakistan, and Libya.<sup>64</sup> Such illicit activity may call upon the expertise of a number of specialized entities within the Department of Justice (Bureau of Alcohol, Tobacco, and Firearms and DEA) and the Department of Homeland Security (U.S. Secret Service).

With the successes of the AFTC and the IFTC, the continuation of al-Qaeda targeting operations long after the withdrawal of troops from OEF, the persistent instability in North Africa due to the Arab Spring turmoil, the narcotics-terrorism nexus, and the USG's shrinking fiscal resources and dwindling proclivity on the part of the American people toward sustaining combat operations, the military must persist in actively engaging in interagency CFT efforts. The enduring capability that an interagency threat finance cell provides, internal to each of the geographical CCDRs, is integral in supporting the overall U.S. intelligence network and its terrorist targeting efforts. Field commanders have long understood the necessity and value of attacking an adversary's military supply lines; CTF provides an analogous means of attacking modern, irregular adversaries at the very foundation of their supply lines, their finances.<sup>65</sup> In an anticipated era of diminishing fiscal resources, CTF may become the preemptive "first strike option" against trans-national or non-state actors, as it is far less costly to disrupt access to funding sources which will have an immediate and taming effect by obstructing or eliminating the ability of terrorist organizations to fund personnel, training and equipment.

There is another critical and important benefit to DoD involvement. Although "the Department of Treasury has been designated the lead agency for Terror Finance and

the Department of State has been designated the lead interagency coordinator for identifying and coordinating financial capacity building missions across the U.S. government through the Terror Finance Working Group,”<sup>66</sup> these departments have been challenged to resource these efforts properly despite the increased visibility and recognized importance of the mission. It cannot be overemphasized how important cooperation across the Executive Branch Departments and agencies (State, Treasury, Homeland Security, Justice, and DoD) will be to support the manning, training and coordination requirements necessary to succeed in this endeavor and how DoD resources can help in this regard. Further, while some may question the need for CCDRs to maintain a threat finance cell capability outside of named operations, it should be argued that this capability if properly applied enables the U.S. to shape the strategic environment and deter adversaries rather than engaging in costly kinetic operations with the enemy. In this respect, the Defense Department is complementing the mission of its interagency partners in the financial and diplomatic spheres.

### Concluding Thoughts

The U.S. must continue to exploit emerging opportunities beyond the traditional use of conventional military forces to combat terrorism and venture into embracing and leveraging all the capabilities of the interagency to detect, deter, disrupt and destroy terrorist and those supporting terrorism by targeting their financial resources. In its development of a “money as a weapon” strategy, the efforts by all of the U.S. Executive Branch departments, the FATF, the issuance of the DoD Directive 5205.14 (the DoD Counter Threat Finance Policy), and the establishment of interagency threat finance cells, have moved it further along in its efforts to disrupt and destroy the financing of terrorist activities. The establishment of enduring threat finance investigative capability

at each of the geographical and functional combatant commands will round out the intelligence targeting capability in support of the counter-terrorism mission.

However, creative, innovative steps are necessary to remain ahead of terrorist plots. One area to be explored and considered in future threat finance efforts is to take advantage of the potential flexibility that the National Guard may provide both internal through Title 32 authorities, and external through Title 10 authorities. Beginning in 2012, the Deputy Assistant Secretary of Defense for Counter Narcotics and Global Threats (DASD-CN/GT) directed and funded 26 National Guard analysts to support DEA, FBI, Immigrations and Customs Enforcement (ICE), IRS, High Intensity Drug Trafficking Areas (HIDTA) and FinCEN. The analysts were drawn from an existing Counter Drug criminal analyst population within the National Guard and it is anticipated they will be included in future deployments supporting Threat Finance Cell efforts.<sup>67</sup>

Within the National Guard personnel population, at large, there are a number of civilian professional skill sets, particularly within the areas of law enforcement, treasury and banking, legal, and cyber, and over 650 National Guard criminal analysts, which could be capitalized upon to support the CTF mission.<sup>68</sup> Additionally, the National Guard's role in the State Partnership Program (SPP), "a program that links U.S. states with partner countries for the purpose of supporting the security cooperation objectives of the Combatant Commander and U.S. Ambassador", may provide a unique opportunity to leverage established and enduring relationships with foreign governments to assist the State Department and SOCOM in the area of Security Force Assistance and Foreign Internal Defense missions.<sup>69</sup> Since its inception in 1993, SPP has expanded to partner states and territory National Guard units to partner with 63

countries spread across EUCOM, AFRICOM, CENTCOM, PACOM, and SOUTHCOM areas of responsibility.<sup>70</sup> Utilizing the cultural and language training and deployment framework of the Afghanistan Pakistan Hands Program (Af/Pak)<sup>71</sup>, the civilian selective professional expertise and connection to U.S. interagency partners of the National Guard member, and the established partnership with the participating country governments, it is possible that the U.S. could assist in shaping and monitoring foreign monetary policies and regulations thus making indirect advances in countering terrorist financing.

## Endnotes

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